

MARKETS GENERALLY

105.

between domestic and foreign causes of an abstraction of gold, it may be mentioned that money may be required abroad for the probable prosecution of war, and the necessary preparation and equipment; for the purpose of restoring commercial confidence and the relief of distress in foreign countries produced by excessive local speculation and over-trading : or a drain may assume the form of floating foreign speculative undertakings or legitimate loans in the English market, in which British capitalists may invest. For human nature, whatever be the race or clime, is fundamentally one, subject to the excited vicissitudes of feeling and recurrent hallucinations which find expression in actions fraught with disaster and misery to every section of the community.

Withdrawals of gold obviously cannot be effected without a concurrent equivalent exchange; and one process of abstraction is that of employing Bills of Exchange possessed by foreign banks and merchants and drawn upon English firms (being documents expressive of indebtedness for the purchase of foreign merchandise); discounting them here, and turning the proceeds into gold.

A few illustrations of the mode may be useful. A foreign merchant may export (or sell) goods to England: his correspondent in this country who receives the price of the goods may find that the cost of British commodities suitable at the time to be purchased with the proceeds and dispatched abroad for sale, is too high to render the transaction profitable to his chief; hence, instead of investing in British commodities with the proceeds, he obtains cash and remits. Or the foreign merchant may sell the bill of exchange which he has drawn for the goods upon the British receiving merchant to a local dealer in money; and if gold should be required at the time abroad the dealer will draw the proceeds of the bill in specie ¹ and dispose of the specie at a profit. Or, again, the rate of interest current in the foreign centre may exceed that obtainable else-

¹ Specie : Latin *species*, a kind subordinate to a genus or

larger class: from *species*, a look, appearance—the ultimate verb signifying to look, to see- *Specie* is the ablative, and the phrase arose of *in spade*, in kind, so that "paid *in specie*" was equivalent to "paid in *visible* coin": coined money.